



Information Partners Can Use on: FOOD STAMPS

New Medicare Prescription Drug Coverage

As of May 25, 2005

If you have Medicare and get food stamps, you need to know:

1. Starting January 1, 2006, Medicare prescription drug coverage becomes available to everyone with Medicare.
2. You may qualify for extra help paying for your Medicare prescription drug costs.
3. If you qualify for extra help, your food stamps benefits may decline, but that decline will be more than offset by Medicare's extra help.
4. Even if you don't qualify for extra help, you should join a Medicare prescription drug plan by May 15, 2006.

1. What is a Medicare prescription drug plan?

Medicare prescription drug plans provide insurance coverage for prescription drugs. These plans will be offered by insurance companies and other private companies. Plans will cover both generic and brand-name prescription drugs. You can choose a plan that meets your needs.

There are two types of Medicare prescription drug plans. There will be prescription drug plans that add coverage to the Original Medicare Plan. There will also be prescription drug coverage that is part of Medicare Health Plans (like Medicare Advantage and Cost Plans). You would get all of your Medicare health care through these plans.

If you don't use a lot of prescription drugs now, you still should consider joining. As we age, most people need prescription drugs to stay healthy. For most people, joining now means you will pay a lower monthly premium than if you wait to join until later.

2. Do you qualify for extra help paying prescription drug costs?

You may qualify for extra help if you have limited income and resources.

What are the income limits?

- If your annual income is below \$14,355 (or \$19,245 if you are married and living with your spouse), you may qualify. These amounts may be higher if

- ☐ you provide at least half of the support of other relatives living in your household or
- ☐ you reside in Alaska and Hawaii or
- ☐ you are working

There are also income exclusions for the working blind and disabled.

What are the resource limits?

- To get the extra help with Medicare prescription drug plan costs your countable resources generally must be valued below \$11,500 (or \$23,000 if you are married and living with your spouse). The resource limits include \$1,500 per person for burial expenses. Resources include the value of things you own. Some examples of countable resources are

- ☐ real estate (other than your primary residence)
- ☐ bank accounts, including checking, savings and certificates of deposit
- ☐ stocks
- ☐ bonds, including U.S. Savings Bonds
- ☐ IRAs
- ☐ mutual funds
- ☐ cash at home, or anywhere else

■ Some things are not counted as resources, such as

- your primary residence
- your vehicle(s)
- your household goods and personal possessions
- resources you could not easily convert to cash, such as farm machinery and livestock, jewelry and home furnishings
- federal income tax refunds
- property you need for self-support such as rental property, or land you use to grow produce for home consumption
- life insurance policies owned by an individual with a combined face value of \$1,500 or less. An individual and spouse could have a total of \$3,000.

The Social Security Administration (SSA) is sending people with certain incomes an application for extra help paying for Medicare prescription drug coverage. If you don't get an application in the mail, you can request one by calling SSA at 1-800-772-1213 as early as June 2005. Beginning July 1, 2005, you can go to www.socialsecurity.gov on the web to apply online. After you apply, you will get a notice in the mail that tells you if you qualify for extra help. SSA's application process provides you with the quickest decision. You can also go to your local Medicaid office and apply. Your state will determine if you qualify for the extra help, or other assistance your state provides.

If you qualify for extra help, you need to join a Medicare prescription drug plan in your area that meets your drug needs. You can enroll in a plan beginning November 15, 2005. If you don't choose and enroll in a plan by May 15, 2006, Medicare will enroll you in a plan so you don't miss out on this important coverage.

3. Will I lose my food stamp benefits if I apply and qualify for extra help paying for the new Medicare prescription drug coverage?

With the extra help for Medicare prescription drug coverage, you may see your food stamp benefits go down as you spend less on drugs. Using the extra help means you will have more cash to spend on food and other things that you used to spend on prescription drugs. If you get the \$10 minimum food stamp benefit, your benefits may end. **However, the extra cash you will have available to spend on food and other things makes up for not getting as much in food stamps.**

4. I'm receiving food stamps now and have claimed a deduction for my medical costs. Do I have to report a change in my medical expenses if I get extra help?

No, you don't have to report changes in your medical expenses until you file to renew your food stamps. Of course, if your medical expenses go up for any reason, you may report the increased cost at any time.

5. How might my food stamp benefits be affected if I qualify for extra help? Mrs. Smith gets Medicare's extra help: her monthly prescription drug bill is \$200.

Mrs. Smith has Medicare, lives alone, and receives \$798 per month in Social Security benefits. She doesn't receive Medicaid. She receives both food stamps and HUD housing assistance. She regularly pays \$250 monthly for medical expenses, \$200 of which is for 3 prescription drugs. Her HUD subsidized rent is \$162 a month.

Under the Medicare prescription drug plan, Mrs. Smith will pay no monthly drug plan premium, no

	Without Extra Help Paying Medicare Rx Drug Costs	With Extra Help Paying Medicare Rx Drug Costs	
Income	\$798	\$798	
Medical spending	\$250	\$59	(medical spending declines by \$191)
Food stamps	\$15	\$10*	(food stamps decrease \$5)
Rent payment**	\$162	\$219	(rent increases by \$57)
Net impact	\$401	\$530	(bottom line: \$129 more cash in her pocket)

* \$10 is the minimum monthly benefit for eligible people living alone.

** Rent payment reflects rent as 30% of adjusted income.

deductible, and her co-payments for her 3 prescription drugs total \$9. Her monthly medical spending is now \$59 (\$50 for other medical bills + \$9 for drug co-pays) for a monthly savings of \$191.

Because Mrs. Smith's out-of-pocket medical costs have gone down, her food stamps will be \$5 less than they were when she paid for all of the cost of her prescriptions out of pocket and her HUD subsidized rent will increase by \$57 to \$219 a month. Even though her food stamps decreased and her HUD subsidized rent increased, she has \$129 more cash in her pocket each month.

Example: Mr. Jones gets extra help, his monthly drug bill is \$51

Mr. Jones is just like Mrs. Smith except his monthly drug bill is lower and he does not get HUD housing assistance since he owns his own home. He has Medicare, lives alone, and receives \$798 per month in Social Security benefits. He doesn't receive Medicaid. He regularly pays \$147 monthly for medical expenses, \$51 of which is for 3 prescription drugs.

Under the Medicare prescription drug plan, Mr. Jones will pay no monthly drug plan premium, no deductible, and his co-payments for his 3 prescription drugs are \$3 each. His monthly medical spending is now \$105 (\$147-\$51+\$9=\$105) for a monthly savings of \$42.

Because Mr. Jones' out-of-pocket medical costs have gone down, his food stamps will be \$17 less than they were when he paid for all of his prescriptions out of pocket. But he still has \$25 more cash in his pocket (\$42 medical savings less \$17 decrease in food stamps).

	Today	With Extra Help Paying Medicare Rx Drug Plan Costs	
Income	\$798	\$798	
Medical spending	\$147	\$105	(3 drugs, total copays of \$9)
Food stamps	\$27	\$10*	
Net impact	\$678	\$703	(bottom line: \$25 savings)

* \$10 is the minimum monthly benefit for eligible people living alone.

For more information about Medicare prescription drug coverage...

Read the "Medicare & You 2006" handbook you get in the mail in October 2005. It will include more detailed information about Medicare prescription drug plans, including which plans will be available in your area. After that time, if you need help choosing a Medicare prescription drug plan that meets your needs, you can

- Visit www.medicare.gov on the web and select "search tools" to get personalized information.
- Call your State Health Insurance Assistance Program (SHIP). (See your copy of the "Medicare & You 2006" handbook for their telephone number) You can also call 1-800-MEDICARE (1-800-633-4227), or look at www.medicare.gov on the web to get their telephone number. TTY users should call 1-877-486-2048.
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